

Illinois Department of Revenue
101 West Jefferson Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY86-34

TO: All Illinois Sales Tax Return Filers
SUBJECT: Changes Enacted by the General Assembly

The purpose of this bulletin is to inform you of recent and soon-to-be-effective changes in the Illinois sales tax. You may have received detailed bulletins on some of these issues recently. Also, please note some items may not apply to your business.

FARM EQUIPMENT EXEMPTION

Effective on sales on or after January 1, 1986, all farm machinery, equipment, and individual replacement parts will be exempt from state sales tax, not just those costing \$1,000 or more. (For the purpose of this change, date of sale will be the date the item is delivered.)

Other provisions of the exemption have not changed. For example, special order items as well as items purchased for lease continue to qualify for the exemption. Items required to be registered under the Illinois Vehicle Code do not qualify.

The purchaser must continue to certify the item(s) will be used primarily in production agriculture.

You must continue to complete and submit a RR-594, Farm Machinery and Equipment Exemption Schedule, whenever you take this deduction (on line 10) of your return.

Your local unit of government (city or county) may reimpose tax on these sales. If it does, you must collect and pay the tax to the Department. If you do not know if the tax has been reimposed, you should contact your local government agency directly.

ENTERPRISE ZONES

Effective for sales made on and after September 1, 1985, you no longer have to use the claim-for-credit procedure to recoup state and local sales tax on sales of building materials for incorporation into real estate located in your enterprise zone. Enterprise zone sales are now exempt from state and local sales taxes on these sales. You must, however, continue to charge and collect any mass transit sales tax.

GASOHOL

Effective September 1, 1985, legislation changed the taxation of

gasohol. The Department has, however, been enjoined from enforcing certain changes. During the effective period of the injunction, the Department will enforce only the increase of the tax rate from 1 percent to 2 percent.

The new law gradually increases the state sales tax on this product as follows:

EFFECTIVE DATES	STATE SALES TAX RATE
January 1, 1985 - August 31, 1985	1%
September 1, 1985 - May 31, 1986	2% (plus an additional amount if the federal government reduces its tax on gasohol)
June 1, 1986 - December 31, 1992	3% (plus an additional amount if the federal government further reduces its tax on gasohol)
January 1, 1993 and thereafter	5%

NOTE: Gasohol sales are NOT exempt from LOCAL and MASS TRANSIT SALES TAXES: i.e., the municipal occupation taxes, county occupation taxes, Regional Transportation Authority occupation taxes, and Metro East Mass Transit District occupation Taxes. You should add the amount deducted on line 12 to the amount on line 18 when computing your tax bases lines 41 and 46.

OIL FIELD EQUIPMENT

Effective January 1, 1986, the state sales tax on oil field exploration, drilling, and production equipment costing \$250.00 or more and replacement parts costing \$250.00 or more will be removed. This includes machinery and equipment purchased for lease. Motor vehicles required to be registered under the Illinois Vehicle Code DO NOT qualify for the exemption. (You will continue to collect and pay the 5% state tax on sales of less than \$250.00.)

Some of the items included in the exemption are: oil rigs (rotary rigs, cable tool rigs, and workover rigs), pipe and tubular goods (casing and drill strings), gasoline and diesel engines used as power sources, pump and pumpjack units, storage tanks, and flow lines.

Local and mass transit taxes (where applicable) are due on the full selling price.

MANUFACTURING MACHINERY & EQUIPMENT

Effective November 1, 1985, the manufacturing machinery and equipment exemption has been enlarged to include machinery and equipment used in the general maintenance and repair or in the in-house manufacture of

exempt machinery and equipment.

The exemption is further expanded to include equipment used primarily

in operating exempt machinery and equipment in a computer-assisted design/computer assisted manufacturing (CAD/CAM) system.

If you need more information, call or write. The phone numbers and address are at the top of this bulletin.

J. Thomas Johnson
Director of Revenue

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